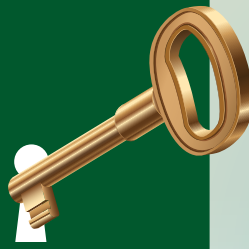


Why Real Estate is still America's Best Investment



If you believe the latest headlines, the economy fluctuates from recovery to ruin on a weekly basis. In reality, real estate is cyclical, and the market is on its way to recovery in most areas. Although you may feel nervous about home ownership, **property is still your best long-term investment.**

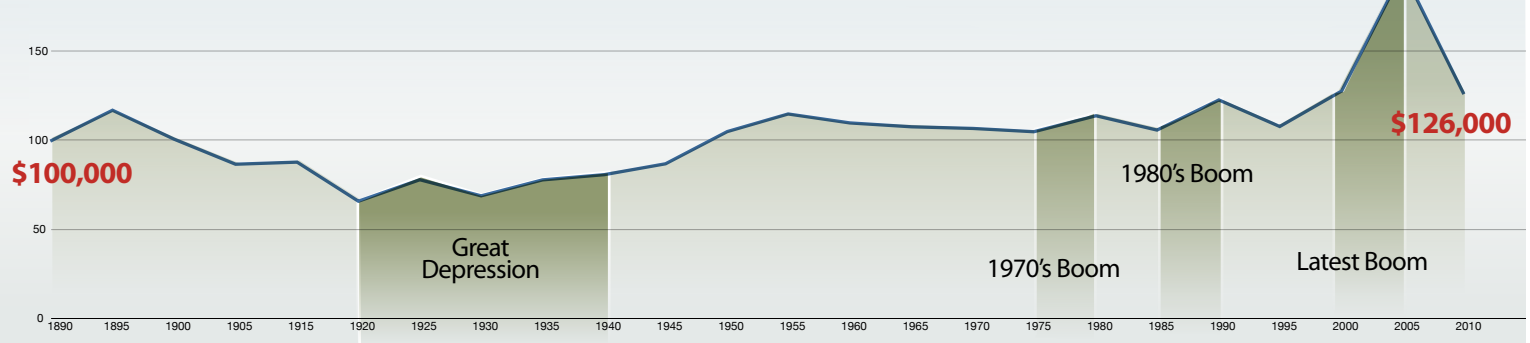
In more than two-thirds of the country, **housing affordability has dipped to pre-housing bubble levels**, creating opportunities for those looking for a bargain. Home prices are expected to rise in 2013 due to fewer distressed sales and the impending housing shortage.¹



Values Still Historically High

Economist Robert J. Shiller has researched and outlined American housing prices for standard existing homes from 1890 to present, adjusting values to today's dollars. Although home values have hovered close to the \$100,000 mark for the better part of the century, they began to escalate in the late 1990s and into the new millennium, fueling the real estate bubble.

Home Values Over the Past 100 Years



Source: "Irrational Exuberance," 2nd Edition, 2006 by Robert J. Shiller
Prices adjusted for inflation.



The median home price is **3.4 times** the median household income. While this is **20.9%** lower than the average from 1995-2010, it's more in line with the average from 1980-2000.^{1,2}



Home Equity

A major advantage of homeownership is building equity. The average seller who purchased a home in 2002 gained **24%** in equity, while those who purchased their homes 11 to 15 years ago had a median gain of **40%**.²

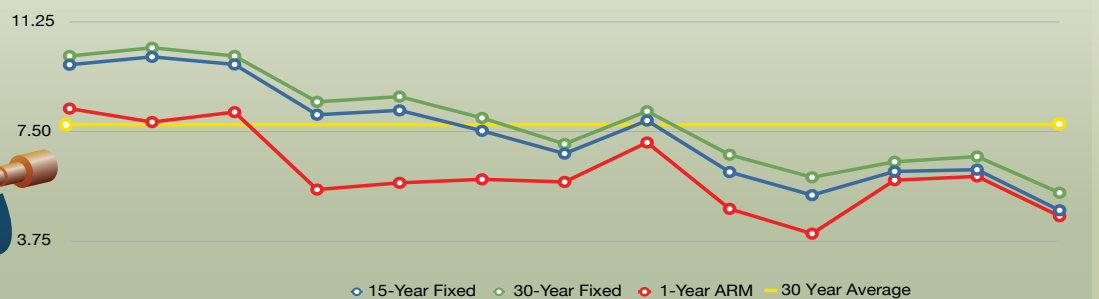
Sources: 1) Wall Street Journal, June 4, 2011
2) National Association of Realtors[®]

Mortgage rates have decreased over the last fifty years to record lows.

Due to the economic downturn, borrowers with stellar credit and a solid employment history are best able to secure financing right now. However, as conditions improve, the market will expand for borrowers who may not fit the mold of traditional lending standards, such as the self-employed.



Mortgage Rate Trends



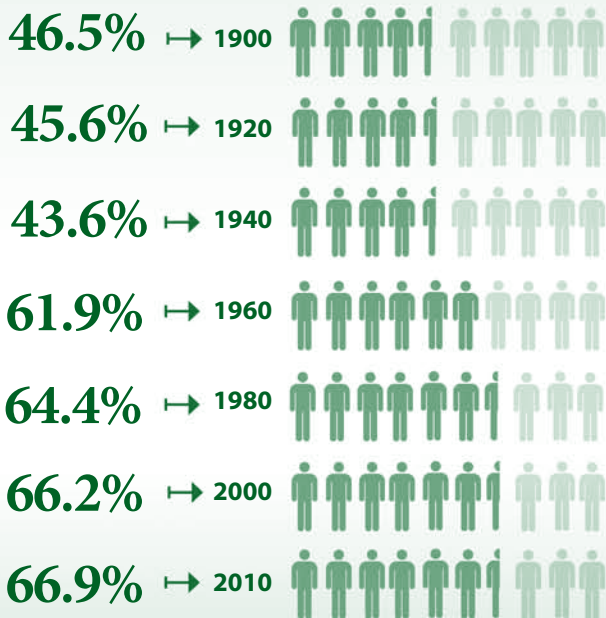
Source: HSH

Trends in Homeownership

Homeownership began to increase dramatically in the 1990s, reaching **69.2%**, a record level in 2004.¹ Experts predict that the rate will decrease to pre-bubble levels over the next few years. However, some have argued that a rate in the lower 60th percentile is closer to the 'natural rate.'²

*81% of adults view homeownership as the best long-term investment they can make.*³

Homeownership Rates (1900-2010)⁴



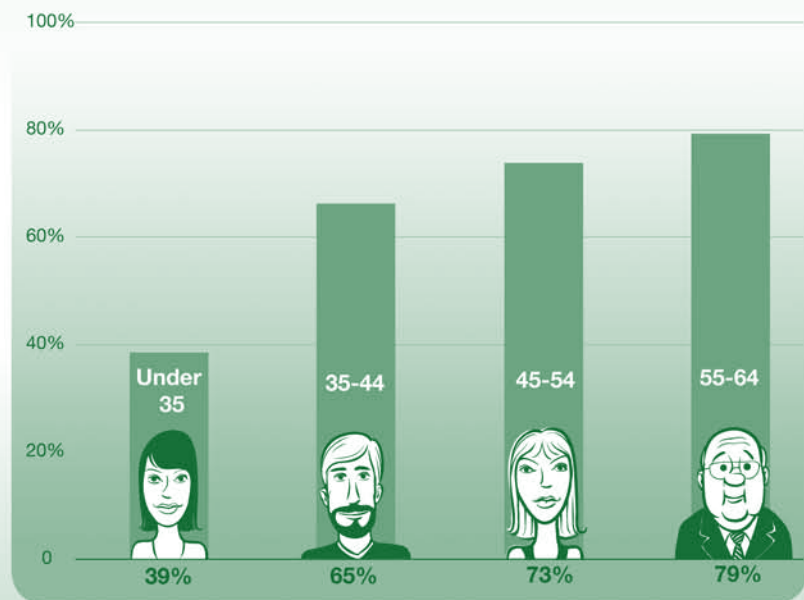
Sources: 1) Federal Reserve Bank of San Francisco
 2) The Atlantic, November 2, 2010
 3) Pew Research Center Survey, March 15 to March 29, 2011
 4) US Census Bureau
 5) National Association of Realtors
 6) San Diego Union Tribune, February 9, 2011

Home Buyer Demographics

While married couples and those over the age of 35 continue to comprise the largest share of home buyers, single women and men, particularly those under age 35, have been gaining ground over the last decade. In 2010, **20%** of home buyers were single women and **12%** were single men.⁵ Additionally, **36%** of buyers were under the age of 35 in 2010.⁴ Nearly **26%** of this demographic has developed favorable views of homeownership over the last six months.⁶

*Due to increased affordability, 25% of people under the age of 35 are planning to buy their first home within the next few years.*⁵

Homeowners by Age Group



Source: CNN Money, November 2, 2010

The Real State of American Real Estate

- Despite a decline, home values are still at **historically high levels**.
- More people own homes now **than ever before**.
- Mortgage interest rates are at the **lowest level in 30 years**.
- Property is **more affordable now** than it has been in 40 years.⁷
- One in three Americans own their homes **free and clear**.⁴
- **91.2% of mortgages are current**—and only **3.75%** are in foreclosure.^{8,9}
- **87%** of Americans who bought a home in the past year expect to **easily meet their mortgage repayment obligations** in the next year.^{9,10}
- Two-thirds of Americans say that **now is the best time to buy**.^{9,10}

Sources: 7) Harvard University, The State of the Nation's Housing 2010
 8) HousingWire, March 21, 2011
 9) Business Journal, June 6, 2011
 10) CNBC, June 10, 2011

